



Peterson
Allred
Jackson

**WELLSVILLE-MENDON
CONSERVATION DISTRICT**

COMPILED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

▪ Certified Public Accountants
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INTRODUCTORY SECTION

WELLSVILLE-MENDON CONSERVATION DISTRICT
Wellsville, Utah 84339

February 13, 2006

Utah State Auditor
211 State Capitol
Salt Lake City, UT 84114

Sir:

It is with great pleasure that the financial statements for the Wellsville-Mendon Conservation District (the District) for the year ended December 31, 2005, is presented.

In addition to the fund financial information currently presented in the District's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the District including all capital assets and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and compiled in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended December 31, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the District from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the District who assisted and contributed to the preparation of this report.

Respectfully submitted,

William R. Bankhead
Director

FINANCIAL SECTION



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Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Wellsville-Mendon Conservation District
Wellsville, Utah 84339

We have compiled the financial statements of the Wellsville-Mendon Conservation District (the District), as of and for the year ended December 31, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of officials of the District. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on pages 7-10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Allred Jackson

February 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wellsville-Mendon Conservation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- The total net assets of \$206,855 is made up of \$98,669 in capital assets net of related debt and \$108,186 in other net assets.
- In the Enterprise Fund, revenues exceeded expenditures by \$13,699.
- Total long-term liabilities of the District were reduced by \$12,000.

REPORTING THE DISTRICT AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 11 & 12 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is a proprietary fund.

- Proprietary funds - District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its Water Distribution.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$206,855.

By far the largest portion of the District's net assets (48%) reflects its investment in capital assets (e.g., system improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Business-type Activities	
	2005	2004
Current and other assets	\$ 111,376	\$ 96,794
Capital assets	254,669	264,821
Total assets	366,045	361,615
Long-term debt outstanding	156,000	168,000
Other liabilities	3,190	459
Total liabilities	159,190	168,459
Net assets:		
Invested in capital assets, net of debt	98,669	96,821
Unrestricted	108,186	96,335
Total net assets	\$ 206,855	\$ 193,156

CHANGES IN NET ASSETS

	Business-type Activities	
	2005	2004
Revenues:		
Program revenues:		
Charges for services	\$ 149,618	\$ 134,382
General revenues:		
Investment income	327	102
Total revenues	149,945	134,484
Expenses:		
Water distribution	136,246	131,795
Total expenses	136,246	131,795
Increase (decrease) in net assets	13,699	2,689
Net assets, beginning	193,156	190,467
Net assets, ending	\$ 206,855	\$ 193,156

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As stated earlier, the District maintains one enterprise fund to account for the business-type activities of the District. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in business-type activities include a \$12,000 decrease in debt due to regular principal payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The District's investment in capital assets for its business-type activities as of December 31, 2005, amounts to \$254,669 (net of accumulated depreciation). The total decrease in the District's investment in fixed assets for the current year was 4% (due to depreciation expense exceeding new purchases).

DISTRICT'S CAPITAL ASSETS

	Business-type <u>Activities</u>
System improvements	\$ 333,781
Machinery & equipment	3,193
Less: Accumulated depreciation	<u>(82,305)</u>
Total	<u>\$ 254,669</u>

Additional information on the District's capital assets can be found in the footnotes to this financial report.

Long-term debt - At December 31, 2005, the District had total bonded debt outstanding of \$156,000. Of this amount \$156,000 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

DISTRICT'S OUTSTANDING DEBT

	Business-type <u>Activities</u>
Revenue bonds	<u>\$ 156,000</u>
Total outstanding debt	<u>\$ 156,000</u>

The District's total debt decreased by \$12,000 during the fiscal year.

Additional information on the outstanding debt obligations of the District can be found in the footnotes to this report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005
With Comparative amounts for 2004

	Business-type Activities	Memorandum Total 2004
ASSETS		
Cash	\$ 38,854	\$ 18,407
Water fees receivable	50,809	54,094
Deferred charges	21,713	24,293
Capital assets		
Equipment	3,193	3,193
System improvements	333,781	327,313
Less: Accumulated Depreciation	(82,305)	(65,685)
Total assets	<u>\$ 366,045</u>	<u>\$ 361,615</u>
LIABILITIES		
Accounts payable	3,190	459
Bonds payable:		
Due within one year	13,000	12,000
Due in more than one year	143,000	156,000
Total liabilities	<u>159,190</u>	<u>168,459</u>
NET ASSETS		
Invested in capital assets, net of related debt	98,669	96,821
Unrestricted	108,186	96,335
Total Net Assets	<u>\$ 206,855</u>	<u>\$ 193,156</u>

See accompanying notes and accountant's report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005
With Comparative amounts for 2004

	Program Revenues				Memorandum	
	Charges for Expenses	Operating Grants & Contributions	Capital Grants & Contributions	Business-type Activities	Total 2005	Total 2004
Business-type activities:						
Water distribution	136,246	149,618	-	13,372	13,372	2,587
Total business-type activities	136,246	149,618	-	13,372	13,372	2,587
General revenues:						
Investment income				327	327	102
Total revenues				327	327	102
Change in net assets						
Net assets - beginning				13,699	13,699	2,689
Net assets - ending				193,156	193,156	190,467
				\$ 206,855	\$ 206,855	\$ 193,156

See accompanying notes and accountant's report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005
With Comparative amounts for 2004

	Total 2005	Memorandum Total 2004
ASSETS		
Current assets:		
Cash	\$ 38,854	\$ 18,407
Water fees receivable	50,809	54,094
Total current assets	89,663	72,501
Capital assets		
Equipment	3,193	3,193
System improvements	333,781	327,313
Less Accumulated depreciation	(82,305)	(65,685)
Total capital assets	254,669	264,821
Non-current assets:		
Deferred charges	21,713	24,293
TOTAL ASSETS	366,045	361,615
LIABILITIES		
Current liabilities:		
Taxes payable	3,190	459
Total current liabilities	3,190	459
Long-term liabilities:		
Bonds payable - due within a year	13,000	12,000
Bonds payable - due in more than one year	143,000	156,000
Total long -term liabilities	156,000	168,000
Total liabilities	159,190	168,459
NET ASSETS		
Invested in capital assets, net of related debt	98,669	96,821
Unrestricted	108,186	96,335
Total net assets	\$ 206,855	\$ 193,156

See accompanying notes and accountant's report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
With Comparative amounts for 2004

	Year Ended December 31, 2005	Memorandum Total Year Ended December 31, 2004
OPERATING REVENUES:		
Water sales	\$ 149,618	\$ 134,382
Total operating revenues	<u>149,618</u>	<u>134,382</u>
OPERATING EXPENSES:		
Water assessment	71,100	71,100
Water master/labor	8,302	9,062
Machine hire	1,332	10,395
Taxes	-	964
Insurance	427	403
Director fees	3,500	3,500
Professional fees	17,202	1,906
Spraying/chemicals	7,427	9,101
Supplies	2,420	490
Amortization	2,580	2,580
Depreciation	<u>16,620</u>	<u>16,562</u>
Total operating expense	<u>130,910</u>	<u>126,063</u>
Operating income	18,708	8,319
NON-OPERATING INCOME/(EXPENSE)		
Interest income	327	102
Interest expense	<u>(5,336)</u>	<u>(5,732)</u>
Total non-operating revenue (expense)	<u>(5,009)</u>	<u>(5,630)</u>
CHANGE IN NET ASSETS	13,699	2,689
Total net assets-beginning	<u>193,156</u>	<u>190,467</u>
Total net assets-ending	<u><u>\$ 206,855</u></u>	<u><u>\$ 193,156</u></u>

See accompanying notes and accountant's report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2005
With Comparative amounts for 2004

	Total 2005	Memorandum Totals 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 152,903	\$ 141,347
Payments to suppliers	(97,177)	(94,359)
Payments to employees	(11,802)	(12,562)
Net cash provided (used) by operating activities	<u>43,924</u>	<u>34,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(12,000)	(12,000)
Interest paid on capital debt	(5,336)	(5,732)
Net cash provided (used) by capital and related financing activities	<u>(17,336)</u>	<u>(17,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	327	102
System improvements	(6,468)	-
Net cash provided (used) by investing activities	<u>(6,141)</u>	<u>102</u>
Net increase (decrease) in cash and cash equivalents	20,447	16,796
Cash and equivalents at beginning of year	18,407	1,611
Cash and equivalents at end of year	<u>\$ 38,854</u>	<u>\$ 18,407</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 18,708	\$ 8,319
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	16,620	16,562
Changes in assets & liabilities:		
Decrease (increase) in receivables	3,285	6,965
Decrease (increase) in deferred charges	2,580	2,580
Increase (decrease) in payables	2,731	-
Total adjustments	<u>25,216</u>	<u>26,107</u>
Net cash provided (used) by operating activities:	<u>\$ 43,924</u>	<u>\$ 34,426</u>

See accompanying notes and accountant's report.

WELLSVILLE-MENDON CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The District reports the following major proprietary funds:

The Water District accounts for the activities of the District's water distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Wellsville-Mendon Conservation District is a special service district created to service the distribution of water through a canal system originating from the Hyrum Dam and continuing on to Wellsville and Mendon. The District is governed by a board of three directors elected by the water shareholders. Each director serves for a three year term in a rotation of one director seat voted on each year. Wellsville-Mendon Conservation District is not a component unit of another organization.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. Accumulated depreciation is reported on the enterprise fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

System Improvements	20 years
Equipment	5 - 7 years

Retained earnings - Due to the absence of sufficient information and the lack of past financial statements the retained earnings January 1, 1985 balance was determined as an unreserved balance required to complete the balance sheet.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the proprietary fund. All annual appropriations lapse at fiscal year end.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash flow statement - For purposes of classification on the statement of cash flows, cash and cash equivalents have a maturity date of three months or less.

Bond issue costs - Bond issue costs are deferred and amortized over the life of the bond using the straight-line method. Issuance costs are reported as deferred charges.

Note 2: Cash, savings and investments

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The cash account is deposited in one financial institution and is carried as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Cash:			
Zions Bank-checking (Insured FDIC)	<u>\$ 38,854</u>	<u>\$112,612</u>	Enterprise
Total cash	<u>\$ 38,854</u>	<u>\$112,612</u>	

Amounts exceeded FDIC insurance by \$12,612.

Note 3: Water Shares

Wellsville-Mendon Conservation District owns 9,000 water shares in South Cache Water Users Association. Water shares may be currently traded or purchased for \$200 per share. Wellsville-Mendon Conservation District holds 64.29% of voting water shares in the South Cache Water User's Association. Water shares do not constitute a claim to or obligation for any asset or liability held by South Cache Water User's Association.

Note 4: Budget

A comparison of budgeted and actual revenues and expenditures is presented as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services	\$ 148,254	\$ 149,618	\$ 1,364
Interest	<u>200</u>	<u>327</u>	<u>127</u>
Total revenues	<u>148,454</u>	<u>149,945</u>	<u>1,491</u>
Expenditures:			
Assessment	83,100	71,100	12,000
Salaries and benefits	10,800	11,802	(1,002)
Other operating expense	<u>54,554</u>	<u>53,344</u>	<u>1,210</u>
Total expenditures	<u>148,454</u>	<u>136,246</u>	<u>12,208</u>

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

	--	13,699	13,699
Retained earnings-January 1, 2005	<u>193,156</u>	<u>193,156</u>	<u>--</u>
Retained earnings-December 31, 2005	<u>\$ 193,156</u>	<u>\$ 206,855</u>	<u>\$ 13,699</u>

Note 5: Pension plan obligations

The Wellsville-Mendon Conservation District does not have any full-time employees and as such does not participate in a retirement plan.

Note 6: Bonds payable

The following is a summary of long-term debt transactions of the District's proprietary fund types for the year ended December 31, 2005.

Bonds payable at January 1, 2005	\$ 168,000
Less: Regular payment of principal	<u>(12,000)</u>
Bonds payable at December 31, 2005	<u>\$ 156,000</u>

Bonds payable at December 31, 2005, are comprised of the following issues:

\$192,000 water revenue bonds due to State of Utah Department of Natural Resources, Board of Water Resources in annual installments ranging from \$17,376 to \$22,704, which includes interest on the unpaid principal balance at an annual rate of 3.2%. Payments commenced on September 1, 2004 and continue each year until retirement on September 1, 2014.

\$ 156,000

The following is a summary of bond principal maturities and interest requirements:

<u>Year Ending December 31</u>	<u>Water Revenue Bonds Outstanding</u>
2006	17,992
2007	17,576
2008	18,160
2009	21,712
2010	21,136
2011-2014	<u>86,560</u>
Total	183,136
Less Interest	<u>(27,136)</u>
Outstanding Principal	<u>\$ 156,000</u>

Note 7: Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.